



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julie Edmonds-Mares

**SUBJECT: ADJUSTMENTS TO  
PARKLAND FEES**

**DATE:** April 16, 2012

Approved

Date

4-24-12

## RECOMMENDATION

Adopt a Resolution to be effective on August 1, 2012, to:

- a) Set forth the new Schedule of Parkland Fees charged pursuant to the San José Municipal Code Chapters 14.25 ("Park Impact Ordinance") and 19.38 ("Parkland Dedication Ordinance") to reflect the 2011 Residential Land Value Study and the updated 2010 Census data; and
- b) Amend Section 2.B of Resolution No. 73587, as amended, to set the parkland fees for Downtown High-Rise Units at fifty percent (50%) of the rate of the most current land values adopted by the City of San Jose for Multi-Family 5+ in the Downtown; and
- c) Authorize the City Manager to determine the applicable parkland fees for any residential units in the City of San Jose that are not included in the Schedule of Parkland Fees based on the nearest MLS zones.

## OUTCOME

Adoption of a new parkland fee resolution will enable the City to collect parkland fees that reflect the land values from the latest land value survey that was completed for the year 2011 and the most current 2010 census data. The proposed resolution will result in decreased parkland fees for developers in 12 of the 14 zones and an increase in two zones. Adoption of a resolution will also set the parkland fees for downtown high-rises at 50% of the rate of the most current land values adopted by the City for Multi-Family 5+ in the Downtown. This would lower the Downtown high-rise per unit fee from \$8,950 to \$7,650, thereby continuing incentives for downtown high-rise construction.

## **BACKGROUND**

The City of San José enacted the Parkland Dedication Ordinance (“PDO”)<sup>1</sup> in 1988 to help meet the demand for new neighborhoods and community parkland generated by the development of new residential subdivisions. The City’s PDO is consistent with the State’s Quimby Act (Government Code Section 66477). In 1992, the City Council adopted the Park Impact Ordinance (“PIO”)<sup>2</sup>, which is similar to the PDO, but applies to new non-subdivided residential projects such as apartment buildings. The City’s PIO is consistent with the State’s Mitigation Fee Act.

Under the PDO and PIO, housing developers are required to dedicate land, improve parkland, and/or pay a parkland fee in lieu of land dedication for neighborhood and community parks. The amount of land to be dedicated is three acres for every 1,000 new residents added to the City by the new housing development. The number of new residents depends on the number and type of dwelling residential units included in the development. The most recent available Federal census data, when available, is used to determine the number of residents per dwelling unit.

Parkland fees may be paid in-lieu of the land dedication or construction requirement. The amount of fees to be paid in lieu of land dedication or construction are established by resolution of the City Council and calculated based on the type of dwelling units and the land value per an annual land value study. For projects of 50 units or less, the City can only require the associated parkland fees from developers.

The parkland fee adjustment recommended in this memorandum is based on the Residential Land Value Study, 2011 Update (Study) prepared by Diaz, Diaz & Boyd, Inc., a Real Property Valuation and Consultation Company. Key historical milestones in the process to annually adjust the fees based on land values include:

- In March 1998, the first report was completed for the study of residential land values in the City of San José and various identified neighborhoods charged pursuant to the PIO and PDO. The latest land value report incorporated the original 1997 study and has been updated annually since it was first completed.
- In January 2007, as part of a comprehensive update of the PIO and PDO, City Council directed that any future fee adjustments to the Schedule of Parkland Fees should be brought to the Parks and Recreation Commission (PRC) and Neighborhood Services & Education Committee (NSE), and then to City Council on an annual basis.
- In December 2007, and September 2008, City Council approved a new Schedule of Parkland Fees to reflect the 2006 Study and 2007 Study (Resolution Nos. 74152 and 74608 respectively).

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<sup>1</sup> San José Municipal Code Chapter 19.38

<sup>2</sup> San José Municipal Code Chapter 14.25

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- On April 20, 2010, City Council approved a new Schedule of Parkland Fees to reflect the 2009 Study (Resolution No. 75346).
- On May 10 2011, City Council approved a new Schedule of Parkland Fees to reflect the 2010 Residential Land Value Study (Resolution No. 75799). As approved by City Council on May 10, 2011, annual fee adjustments will no longer go to the NSE to expedite the process.

## **ANALYSIS**

A map showing Multiple Listing zones in San José is provided as Attachment A; the new proposed fees based on the 2011 land values are included as Attachment B; and the existing fees based on 2010 land values are included as Attachment C. The 2011 Study was completed by Diaz, Diaz & Boyd, Inc. on February 28, 2012. The Study indicated:

- 2011 Land values in seven of the 14 Multi-Listing zones in San José remained unchanged from 2010. These seven MLS zones are: Evergreen, Santa Clara, South San José, Blossom Valley, Almaden Valley, Cambrian, and West San José.
- Land Values in four MLS zones decreased from the 2010 levels. The most significant decrease was in Alum Rock, where the land value declined by 50%, from \$20.00 to \$10.00 per square foot. Land values in North San José and Downtown/Central declined by 29%, from \$70.00 to \$50.00 per square foot, while Willow Glen land values dropped by 25%, from \$40.00 to \$30.00 per square foot.
- Land values in two zones, Santa Teresa and Berryessa, increased by 25% from \$20.00 per square foot in 2010 to \$25.00 per square foot in 2011.

The federal government updated its census data resulting in changes to the number of persons per unit type. The updated 2010 federal census data decreased the number of persons per unit, which resulted in decreased parkland fees for each unit type. A decrease in the number of persons per unit results in an increase in the number of units to create one acre of raw parkland, and conversely, an increase in the number of persons per unit results in a decrease in the number of units to create one acre of raw parkland.

From July 1, 2011 through March 5, 2012, the City has collected parkland fees for 25 residential projects totaling \$9,500,000. This is a modest increase from 2010-2011 collections of \$8,800,000. Additional collections through the last quarter of the current fiscal year, if any, will further improve revenues in the Park Trust Fund for the 2011-2012 fiscal year.

State law requires the adoption of a fee or increase of a fee to be effective no sooner than 60 days following the final action by the City Council to adopt the fee, or to increase the fee. Therefore, if approved by City Council on May 8, 2012, staff is proposing that the Schedule of Parkland Fees set forth in Attachment B will go into effect on August 1, 2012. Any projects that: (1) have not fully

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paid parkland fees before August 1, 2012; or (2) have not entered into a fully executed parkland or turnkey parkland agreement before August 1, 2012, are subject to the proposed Schedule of Parkland Fees set forth in Attachment B. The City will not enter into a parkland or turnkey parkland agreement for purposes of payment of parkland in-lieu fees unless a discretionary permit authorizing a particular land use has been issued for the project or the project has an approved tentative or parcel map, whichever occurs first, that will allow the City to calculate parkland fees based on Attachment B.

### **Fees for High-Rise Multi-Family Residential Projects located in the Downtown Core Area**

On January 9, 2007, the City Council adopted Resolution No. 73587 to establish a temporary program providing incentives for the development of high-rise multi-family residential projects located in the Downtown Core Area east of Highway 87. Certain residential projects of 12 stories or more located in the specified area are eligible to pay a reduced fee of \$8,950 per high-rise unit until the temporary program automatically expires with the issuance of 2,500 building permits under the program. The intent of previous City Council action was to provide a 50% fee reduction for downtown high-rises based on the rate for Multi-Family 5+ units in 2005. Since the land value in the Downtown area has decreased from the 2005 land value of \$60 to the 2011 land value of \$50 per square foot, setting the parkland fees for Downtown High-Rise units at 50% of the rate for Multi-Family 5+ units in 2011 would lower the high-rise per unit fee from \$8,950 to \$7,650. In order to continue incentives for high-rise construction downtown, staff is recommending to continue the intent of the 50% fee reduction and decrease the fee to \$7,650 per unit. Additionally, in future years, when staff comes before the City Council to adjust the fees based on the latest land value study, the rate will continue to be set at 50% of the rate adopted by the City Council for Multi-Family 5+ units for the Downtown. If the land values for Downtown increases, the parkland fees would increase; however, if the land values for Downtown decreases, the parkland fees for downtown high-rises would decrease accordingly.

After significant discussion, the Parks and Recreation Commission, at its April 4, 2012, meeting unanimously voted in favor of the recommendation to lower the downtown per unit fee to 50% of the most current land values in order to maintain the initial intent of the incentive and help with the economic growth of the Downtown area.

No additional units in the Downtown Core Area were completed last year. To date, approximately 873 high-rise multi-family residential units remain completed by four residential housing developments. These projects are listed below.

<b>Multi-Family Residential Projects in Downtown Core Area</b>		
<b>Completed Projects</b>	<b>Street Location</b>	<b>No. of Units</b>
Axis Condos	SW/c Carlyle & Notre Dame	330
The 88 Condos (Phase 1)	S/s E. San Fernando between S. 2nd & S. 3rd	206
City Heights at Pellier Park	NW/c San Pedro & St. James predated	124
Mesa 360 Condos	NE/c Market & San Salvador	213
<b>Total</b>		<b>873</b>

**Fees for Secondary Units (Granny Units)**

Parkland fees for secondary units will be adjusted based on Resolution No. 74314 adopted by Council on April 8, 2008. Pursuant to Resolution No. 74314, parkland fees for secondary units are set at 50% of applicable fees for single-room occupancy (SRO) units.

**Fees for Low Income Units**

The parkland fees charged for "low income units" as defined in SJMC Chapters 14.25 and 19.38 are set at 50% of the applicable parkland fees for each residential unit type pursuant to Resolution No. 75540 adopted by Council on August 24, 2010.

**EVALUATION AND FOLLOW-UP**

Staff will continue to bring forward any future fee adjustments to the Schedule of Parkland Fees to the Parks and Recreation Commission and then to the City Council to reflect findings of the Residential Land Value Study on an annual basis. As approved by the City Council on May 10, 2011, annual fee adjustments will no longer go to the Neighborhood Services and Education Committee in order to expedite the process.

Staff will process the fee adjustments to be effective on August 1, 2012.

**POLICY ALTERNATIVES**

***Alternative #1: Do not adjust fees and leave them consistent with the 2010 land values.***

**Pros:** The fees for the two areas that have increased in value will stay the same which could help development in Santa Teresa and Berryessa.

**Cons:** Adjustment of the fees to accurately reflect the latest land values allows the fees in four zones to decrease, which will help development in these areas.

**Reason for Not Recommending:** This alternative is not consistent with the City Council's prior direction to update the fees on an annual basis to reflect the most recent land value study.

**PUBLIC OUTREACH/INTEREST**

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a

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**Community group that requires special outreach. (Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this item does not meet any of the special outreach criteria above, it will be posted to the City's website for the May 8, 2012 City Council meeting.

### **COORDINATION**

This memorandum has been coordinated with the City Manager's Budget Office, the City Attorney's Office, and Planning, Building and Code Enforcement.

### **CEQA**

Not a Project, File No. PP10-067(a), Adjustments to fees, rates, and charges.

/s/

JULIE EDMONDS-MARES

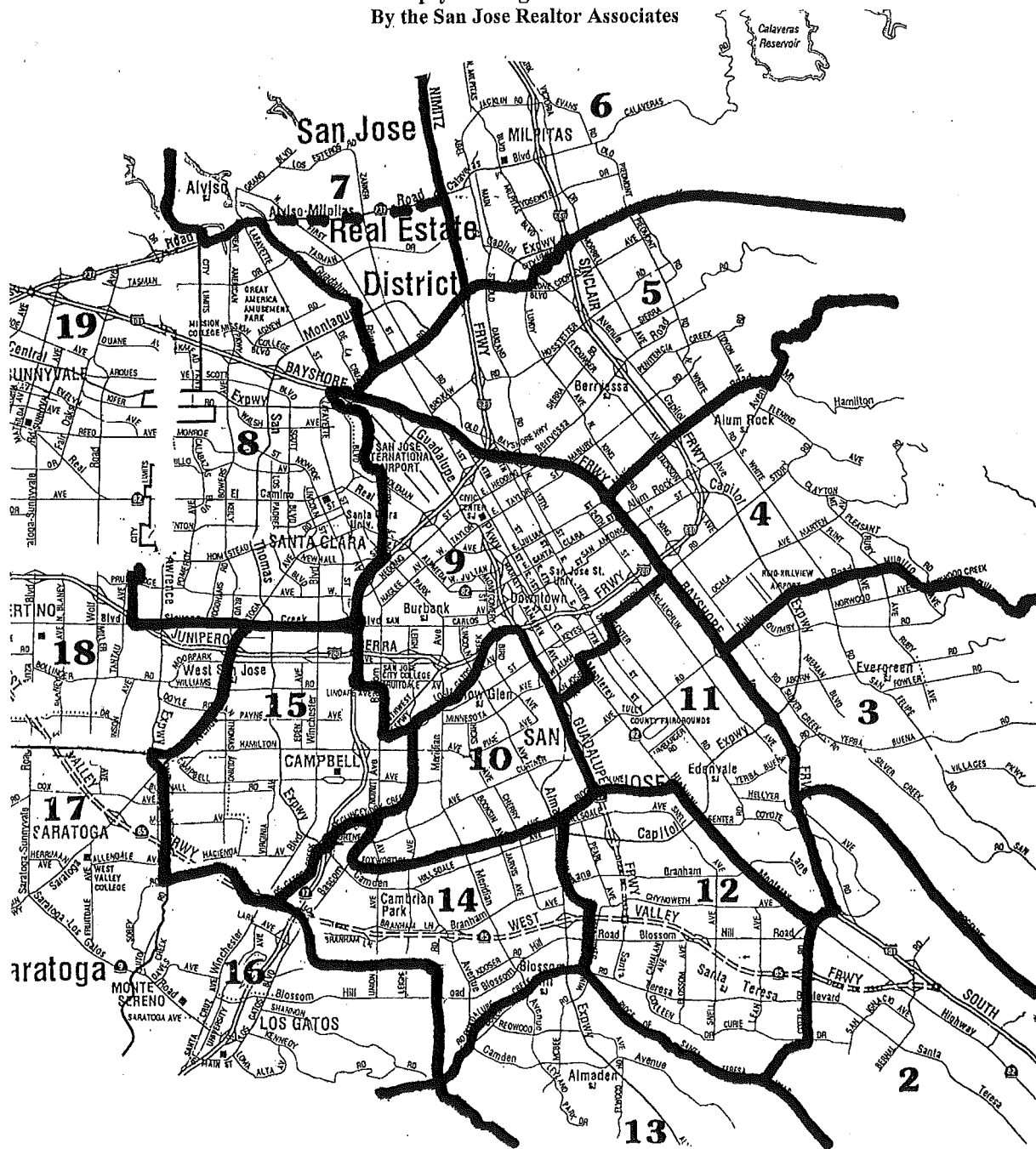
Acting Director of Parks, Recreation and  
Neighborhood Services

For questions please contact Matt Cano, Deputy Director, at 408-535-3580.

Attachments

## ATTACHMENT A

### Multiply Listings Service Zones By the San Jose Realtor Associates



### PDO – PIO MAP

- |                       |                     |                     |
|-----------------------|---------------------|---------------------|
| 2 – Santa Teresa      | 3 – Evergreen       | 4 – Alum Rock       |
| 5 – Berryessa         | 7 – Alviso          | 7 – North San Jose  |
| 9 – Downtown          | 10 – Willow Glen    | 11 – South San Jose |
| 12 – Blossom Valley   | 13 – Almaden Valley | 14 – Cambrian       |
| 15/18 – West San Jose |                     |                     |

## Attachment B

### PROPOSED FEES SET AT 100% OF 2011 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST/ SQUARE FOOT	PROPOSED FEE PER UNIT*					
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4 UNITS	MULTI-FAMILY 5+	SINGLE RESIDENCY OCCUPANCY UNIT (SRO)	SECONDARY RESIDENTIAL UNIT (Granny Unit) Maximum of 700 sq feet
Number of Persons Per Unit - 2010 Census Data			3.31	3.31	2.96	2.34	1.00	0.50
Number of Dwelling Units to create 1 acre of Raw Parkland			100.7	100.7	112.6	142.5	333.3	n/a
2	SANTA TERESA	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
3	EVERGREEN	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
4	ALUM ROCK	\$ 10.00	\$ 4,300	\$ 4,300	\$ 3,900	\$ 3,100	\$ 1,300	\$ 650
5	BERRYESSA	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
7	ALVISO (North of 237)	\$ 20.00	\$ 8,700	\$ 8,700	\$ 7,700	\$ 6,100	\$ 2,600	\$ 1,300
7	NORTH SAN JOSE (So. of 237)	\$ 50.00	\$ 21,600	\$ 21,600	\$ 19,300	\$ 15,300	\$ 6,500	\$ 3,250
8	SANTA CLARA	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
9	DOWNTOWN	\$ 50.00	\$ 21,600	\$ 21,600	\$ 19,300	\$ 15,300	\$ 6,500	\$ 3,250
10	WILLOW GLEN	\$ 30.00	\$ 13,000	\$ 13,000	\$ 11,600	\$ 9,200	\$ 3,900	\$ 1,950
11	SOUTH SAN JOSE	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
12	BLOSSOM VALLEY	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
13	ALMADEN VALLEY	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
14	CAMBRIAN	\$ 25.00	\$ 10,800	\$ 10,800	\$ 9,700	\$ 7,600	\$ 3,300	\$ 1,650
15 & 18	WEST SAN JOSE	\$ 30.00	\$ 13,000	\$ 13,000	\$ 11,600	\$ 9,200	\$ 3,900	\$ 1,950
9- DC	Downtown Core - East of Highway 87 High Rise Projects 12+ Stories		n/a	n/a	n/a	7,650**	n/a	n/a

\* Fees for Low Income Units shall be at the rate of 50% of the applicable parkland fees for each residential unit type per Section 1 of Resolution No. 75540.

\*\* These fees are subject to provisions of Section 2 of Resolution No. 73587.



# Attachment C

## Current Fees

FEES SET AT 100% OF 2010 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST PER SQUARE FOOT	FEE PER UNIT*					
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI - FAMILY 2-4 UNITS	MULTI - FAMILY 5+ UNITS	SINGLE RESIDENCY OCCUPANCY UNIT (SRO)	Secondary Residential Unit (Granny Unit) Maximum of 700 sq feet
Number of Persons Per Unit - 2000 Census Data or Adopted by Council			3.50	3.06	3.23	2.29	1.00	0.50
2	SANTA TERESA	\$ 20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
3	EVERGREEN	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
4	ALUM ROCK	\$ 20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
5	BERRYESSA	\$ 20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
7	ALVISO (North of 237)	\$ 20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
7	NORTH SAN JOSE (So. of 237)	\$ 70.00	\$ 32,000	\$ 28,000	\$ 29,500	\$ 20,900	\$ 9,100	\$ 4,550
8	SANTA CLARA	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
9	DOWNTOWN	\$ 70.00	\$ 32,000	\$ 28,000	\$ 29,500	\$ 20,900	\$ 9,100	\$ 4,550
10	WILLOW GLEN	\$ 40.00	\$ 18,300	\$ 16,000	\$ 16,900	\$ 12,000	\$ 5,200	\$ 2,600
11	SOUTH SAN JOSE	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
12	BLOSSOM VALLEY	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
13	ALMADEN VALLEY	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
14	CAMBRIAN	\$ 25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
15 & 18	WEST SAN JOSE	\$ 30.00	\$ 13,700	\$ 12,000	\$ 12,700	\$ 9,000	\$ 3,900	\$ 1,950
9- DC	Downtown Core - East of Highway 87 High Rise Projects 12+ Stories		NA	NA	NA	\$8,950**	NA	NA

\* Fees for Low Income Units shall be at the rate of 50% of the applicable parkland fees for each residential unit type per Section 1 of Resolution No. 75540

\*\* These fees are subject to provisions of Section 2 of Resolution No. 73587